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DDA Memo, 4 Apr 77

Auth: DIA REG. 77/1783

Date: 21/03/78 By: DL9~~CONFIDENTIAL~~CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

COUNTRY China

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DATE: 25X1X6

SUBJECT Economic Information: Soviet Activities, Shanghai

INFO. [REDACTED]

DIST. 14 November 1946

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ORIGIN [REDACTED]

This document is hereby regraded to
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letter of 15 October 1978 from the
Director of Central Intelligence to the
Archivist of the United States.

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SUPPLEMENT

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1. On 8 August 1946 the Sino-Soviet Economic Development Corporation was organized for the purpose of controlling a number of Chinese and Soviet firms which are to carry on trade with the Soviet Union. This organization is being financed by Chinese and Soviet capital on an equal basis. The original capital of about U.S. \$1,400,000 was designated by the Continental Bank for the promotion of tea trade with the Soviet Union. Fifty percent of this sum was provided by the Moscow Narodny Bank and the Russian Credit Association, and the remaining fifty percent by the Continental Bank and the Fuh Lee Financing Corporation.

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2. At present the corporation has two new firms:

(a) The Ming Foo Trading Company, 1 Avenue Edward VII, to handle the Soviet imports of heavy materials. The first stock of paper has been received by this company.

(b) The An Hwa Company, to trade in fine chemicals brought from the Soviet Union. A supply of santonine has already been received and distributed between the International and Anglo-Chinese Dispensaries.

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3. The Sino-Soviet Economic Development Corporation is planning to develop a number of new firms by means of capital furnished by Peter Lee, who recently arrived from Peking and is now in contact with the Soviet entrepreneurs. Peter Lee was formerly a close associate of V.W. Konstantino.

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4. The Union Steamship Agency, a Soviet firm, has purchased from local sources three small steamers, each with a capacity of about 700 tons. These steamers are to operate under the Chinese firm of Tung Nan Steamship Company, 33 Foochow Road. One of the largest ships is the Lin An, used for trips to Hankow. Since the government's recent ruling against foreign shipping, these ships can no longer be used, as they were originally, for transporting tea from the Hankow area.

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5. On 30 July a special meeting of the Soviet Merchants Association was called to discuss the situation created when the Farmers Bank of China and the Central Trust Company assumed the direction of the tea trade under the supervision of the Nationalist Government and the Tea Traders Guild in China. Prior to this assumption, the tea business was to have been handled by a group of Soviet firms, and the transportation by the Union Steamship Agency. Other arrangements previously made regarding the financing of the tea trade through the investment of Soviet capital in the Continental Bank of China have also been canceled.

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6. The Soviets are extremely anxious to open up a successful tea trade, particularly for the following reasons:

(a) It would provide an opportunity to extend Soviet influence into the interior and to gain partial economic control of the Chinese tea trade, thereby neutralizing the influence of foreign rivals.

(b) Transportation facilities bringing tea from the interior would serve not only as a means of carrying propaganda back to the tea districts, but also as a line of communication for the collection of information from the interior.

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7. The Chinese Government has intervened in this matter for the following reasons:

(a) The Wang Yu Tai Tea Company complained that the Soviets are establishing a tea monopoly, thereby closing off normal trade.

(b) Government handling of trade simplifies the arrangement of exchange and customs duties.

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8. A full report of the situation has been sent to the head of the Soviet Trade Mission in China.

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